MULTIMEDIA UNIVERSITY

STUDENT ID NO

MULTIMEDIA UNIVERSITY

FINAL EXAMINATION

SS 5, 2015/ 2016

BIA7114 – INVESTMENT ANALYSIS

(MBA Part Time)

17 APRIL 2016
10.00 a.m – 1.00 p.m
(3 Hours)

INSTRUCTIONS TO STUDENTS

1. This question paper consists of **THREE (3)** pages (including this cover page).
2. Answer **ALL** questions.
3. Please write all your answers in the **Answer Booklet** provided.

QUESTION 1

a) Briefly discuss four (4) uses of Security Market Index. (8 marks)

b) Explain four (4) techniques considered in active equity portfolio management strategies. (8 marks)

c) As the Fund Manager of a mutual fund, evaluate the following two portfolios:

Portfolio Returns	Actual Average	Standard Deviation	Beta
R	10%	14%	1.2
S	8%	16%	0.7

Risk premium for the market portfolio is 6% and the risk-free rate is 5%.

Calculate:

(i) The expected returns using Capital Asset Pricing Model (CAPM) for both of the Portfolios, R and S. (4 marks)

(ii) The portfolios average alpha (actual return minus expected return). (4 marks)

(iii) What conclusions can be derived from the above results? (1 mark)

(Total: 25 marks)

QUESTION 2

Asset allocation process requires a financial planner to observe and construct investment policy statement and portfolio strategies.

a) Explain the importance of investment policy statement. (4 marks)

b) Discuss the investment strategies over an investors' lifetime based on the four phases of lifecycle). (16 marks)

c) Explain information required by financial advisor before constructing his/her client's investment policy statement.

(5 marks)

(Total: 25 marks)

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QUESTION 3

Efficient market is important to ensure reputable and high integrity of security valuation. Security valuation proposes two approaches of valuation process. Whilst both approaches are valid and practical, practitioners prefer top down approach (three-step).

a) Explain the concept of Efficient Market Hypothesis (EMH) and its three forms. (6 marks)

b) Define and discuss the term technical analysis and fundamental analysis. (5 marks)

c) Discuss the differences between the top down and bottom up approaches. (8 marks)

d) Explain the benefits of analyzing the market and industry before individual securities. (6 marks)

(Total: 25 marks)

QUESTION 4

Warren Buffett said a decade ago he's sworn off putting money in airline stocks since his $358 million "mistake" in US Airways Group Inc. Investors in Asian carriers would do well to heed his advice. Six of the 10 initial public offerings by airlines in Asia during the past five years are trading below their sale prices, according to data compiled by Bloomberg. Today, Bangkok Airways Co., which raised $494 million last month in Asia's latest airline IPO, fell 12 percent on its trading debut to join the list.

a) Discuss the above statement referring to Value Investing Philosophy of Warren Buffet. (16 marks)

b) Explain the need for diversification in portfolio management. (4 marks)

c) Explain how the local bourse and investment portfolios will be affected by the crash of global stock market, in particular The Wall Street. (5 marks)

(Total: 25 marks)

End of Paper